

INSPECTION REPORT

Partial XXX Complete Exploration
 Inspection Date: 06/24/2003 / Time: 8:30-11 AM
 Date of Last Inspection: 05/09,13/2003

Mine Name: Dugout Canyon Mine County: Carbon Permit Number: C/007/039
 Permittee and/or Operator's Name: Canyon Fuel Company, LLC.
 Business Address: P.O. Box 1029, Wellington, Utah 84542
 Company Official(s): Vicky Miller
 State Official(s): Peter Hess Federal Official(s): None
 Weather Conditions: unstable atmospheric conditions/thunder, lightning, showers of varying intensity
 Type of Mining Activity: Underground XX Surface Prep Plant Other
 Existing Acreage: Permitted 7083.71 Disturbed 22.65 Regraded Seeded
 Status: Active

REVIEW OF PERMIT, PERFORMANCE STANDARDS & PERMIT CONDITION REQUIREMENTS

1. Substantiate the elements on this inspection by checking the appropriate performance standard.
 - a. For complete inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check N/A.
 - b. For partial inspections check only the elements evaluated.
2. Document any noncompliance situation by referencing the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Division Orders, and amendments.

| | EVALUATED | N/A | COMMENTS | NOV/ENF |
|--|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------|
| 1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 2. SIGNS AND MARKERS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. TOPSOIL | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4. HYDROLOGIC BALANCE: | | | | |
| a. DIVERSIONS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. SEDIMENT PONDS AND IMPOUNDMENTS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| c. OTHER SEDIMENT CONTROL MEASURES | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| d. WATER MONITORING | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| e. EFFLUENT LIMITATIONS | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. EXPLOSIVES | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 6. DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 8. NONCOAL WASTE | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. SLIDES AND OTHER DAMAGE | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. CONTEMPORANEOUS RECLAMATION | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. BACKFILLING AND GRADING | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. REVEGETATION | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. SUBSIDENCE CONTROL | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 15. CESSATION OF OPERATIONS | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. ROADS: | | | | |
| a. CONSTRUCTION/MAINTENANCE/SURFACING | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b. DRAINAGE CONTROLS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. OTHER TRANSPORTATION FACILITIES | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. SUPPORT FACILITIES/UTILITY INSTALLATIONS | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 19. AVS CHECK (4 th Quarter- April, May, June) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. AIR QUALITY PERMIT | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 21. BONDING & INSURANCE | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

INSPECTION REPORT
(Continuation Sheet)

PERMIT NUMBER: C/007/039

DATE OF INSPECTION: 06/24/2003

(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE

The permittee recently submitted three amendments to the mining and reclamation plan. These involve "as-built" drawings for the Gilson well, and two amendments relative to soils, (topsoil recovery, and soils data). Reviews are pending.

3. TOPSOIL

The permittee has constructed a substantial containment at the SE end of the topsoil storage pile at the waste rock site. The containment has been designed to control the runoff for the 10-year/24-hour event.

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The mine site sediment pond contained water this day. According to Ms. Miller, the contractor who has been hired to perform the cleaning of the impoundment will be starting in the very near future. The permittee intends to construct a containment to reduce the materials moisture content at the mine site, and when dry, the material will be hauled to the waste rock disposal site.

The waste rock site impoundment only showed a small amount of pooling.

4C. HYDROLOGIC BALANCE: OTHER SEDIMENT CONTROL MEASURES

The three alternate sediment control areas which are associated with the Gilson well / water tanks access road were inspected this day. All of the silt fences and under road culverts associated with these areas appeared to be capable of functioning as designed. The ditches reporting to these were capable of handling their full design flow.

4D. HYDROLOGIC BALANCE: WATER MONITORING

The Carbon County area had seen sporadic rainfall over the previous 24 hours; as such, both the left and right forks of Dugout Creek (located above the mine site disturbance) were flowing.

5. EXPLOSIVES

The permittee's dynamite and detonator storage magazines are located on the Gilson well pad up the canyon from the main mine site disturbance. The permittee has not conducted any surface blasting for many months.

7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS

The permittee was not hauling coal mine waste to the disposal site this day. All areas of the pile had seen leveling and compaction. There was not any noncoal waste material observed within the refuse. There were no problems noted.

INSPECTION REPORT
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14. SUBSIDENCE CONTROL

Mr. Justin Eatchel of the Salt Lake technical staff was on hand this morning to discuss geologic conditions and the affect which mining of the two coal seams inherent with the Dugout Canyon permit area has on surface lands. Mr. Dave Spillman, Manager of Technical Services for the permittee, was available to answer Mr. Eatchel's questions relative to strata thickness, subsidence monitoring, etc. The permittee produced a new subsidence-monitoring map for 2003, which is an update of the map submitted with the 2002 annual report.

The weather conditions at the mine were such that Mr. Eatchel was advised by the Division to not go to the higher elevations to initiate his study. The permittee was in agreement with this advice.

18. SUPPORT FACILITIES/UTILITY INSTALLATIONS

To date, the permittee has not powered up the secondary substation that was permitted earlier this year. According to Ms. Miller, gravel was being spread in the area, as part of the sediment control for the area.

Inspector's Signature: _____ Date: June 30, 2003
Peter Hess #46

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas & Mining.

cc: James Fulton, OSM
Rick Olsen, Canyon Fuel, via email
Dave Spillman, Canyon Fuel, via email
Chris Hansen, Canyon Fuel, vial email
Price Field office
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